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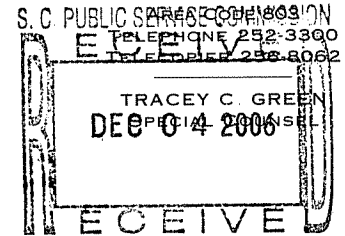
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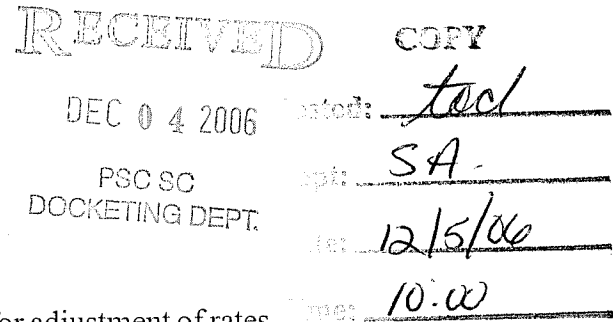
December 1, 2006

*ALSO ADMITTED IN TX
**ALSO ADMITTED IN VA



VIA FIRST-CLASS MAIL

The Honorable Charles L.A. Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210



RE: Application of United Utility Companies, Inc. for adjustment of rates and charges and modifications to certain terms and conditions for the provision of water and sewer service; Docket No. 2006-107-WS

Dear Mr. Terreni:

Enclosed for filing please find the original and five (5) copies of United Utility Companies, Reply to North Greenville University's Objection to Applicant's Petition for Rehearing or Reconsideration and, alternatively, Request for Approval of Bond in the above-referenced matter.

I would appreciate your acknowledging receipt of this document by date-stamping the extra copy that is enclosed and returning it to me in the enclosed self-addressed envelope. By copy of this letter, I am serving all parties of record and enclose my certificate of service to that effect. If you have any questions, or need additional information, please do not hesitate to contact us.

Sincerely,

WILLOUGHBY & HOEFER, P.A.

Benjamin P. Mustian

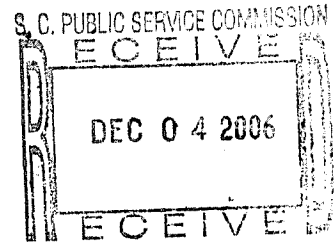
BPM/amw

Enclosures

cc: Shannon B. Hudson, Esquire
Nanette S. Edwards, Esquire
Duke K. McCall, Jr., Esquire
Jacqueline H. Patterson, Esquire
George K. Lyall, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2006-107-W/S



IN RE:)
)
Application of United Utility Companies,)
Inc. for adjustment of rates and charges)
and modifications to certain terms)
and conditions for the provision of)
water and sewer service.)
_____)

REPLY TO NGU'S OBJECTION TO
APPLICANT'S PETITION FOR
REHEARING OR
RECONSIDERATION AND,
ALTERNATIVELY, REQUEST FOR
APPROVAL OF BOND

Applicant, United Utility Companies, Inc. ("Applicant" or "UUC"), submits the within reply to the Objection ("Objection") of North Greenville University ("NGU") to Applicant's Petition for Rehearing or Reconsideration and, Alternatively, Request for Approval of Bond ("Petition"). In that regard, the Applicant would respectfully show as follows:

1. On October 16, 2006, the Commission issued its Order No. 2006-593 in the above-captioned matter rejecting the settlement reached by all parties and denying UUC's application for an increase in its rates and charges. On November 7, 2006, UUC filed with the Commission a Petition pursuant to 2006 S.C. Act No. 387, § 38 (amending S.C. Code Ann. § 58-5-330 (1976)), 26 S.C. Code Ann. Regs. RR. 103-836 (1976) and 103-881 (Supp. 2005), and other applicable law. Therein, UUC requested, *inter alia*, that, in the event the Commission denied its petition for reconsideration or rehearing, the Commission approve a bond pursuant to S.C. Code Ann. § 58-5-240(D) (Supp. 2005) in the amount of \$92,631 representing the additional annual revenue which UUC would be entitled to earn if the Commission had not rejected the Settlement Agreement. On November 28, 2006, NGU filed its Objection with the Commission asserting that "the Commission's denial of Applicant's proposed rate increase specifically bars Applicant from increasing its rates and other charges."

2. Initially, UUC responds that NGU improperly characterizes its Petition. The Objection asserts that the Applicant intends to “proceed with the rate increase it originally requested.” In its Application, UUC requested an additional \$273,070 in revenue. However, UUC’s Petition “requests that the Commission approve a bond pursuant to S.C. Code Ann. § 58-5-240(D) (Supp. 2005) in the amount of \$92,631” which “represents the additional annual revenue which UUC would be entitled to earn if the Commission had not rejected the Settlement Agreement.” Petition at 38. The rates resulting from the revenues contemplated by the Settlement Agreement are markedly lower than those originally requested; therefore, NGU’s contention regarding this issue is patently incorrect.

3. Contrary to NGU’s assertion, S.C. Code Ann. Section 58-5-240(D) explicitly grants a utility the authority to place such rates into effect under bond. “If the Commission rules and issues its order within the time aforesaid, and the utility shall appeal from the order, by filing with the Commission a petition for rehearing, **the utility may put the rates requested in its schedule into effect under bond** only during the appeal and until final disposition of the case.” (Emphasis supplied). The legislature has granted the Commission only the discretion to determine whether the amount of the bond is in a reasonable amount and with such sureties as the Commission may approve. “The statute does not purport to give the [Commission] any discretion as to whether the utility may place the rate increase into effect under bond; the statute merely makes [Commission] approval of the amount of the bond and the identity of the surety a condition precedent.” Commission Order No. 95-383, dated February 16, 1995, in Docket No. 93-737-W/S.¹ As previously stated, the Commission has issued its order in this matter and UUC

¹ See also, Order No. 96-534, dated August 7, 1996, Docket No. 93-670-W/S (“The Commission ... holds that S. C. Code Ann. §58-5-240(D) **requires** the Commission to allow a utility ... to put its requested but denied rates into effect under bond. (Emphasis supplied)); Order No. 95-9, dated January 4, 1995, Docket No. 93-737-W/S (“We think that the statute is mandatory in its terms that, should a utility post a bond with sufficient sureties, the Commission has no choice but to allow it to put its rates under appeal in effect under the terms of that bond and surety”).


has filed its petition for rehearing or reconsideration, thus meeting the established prerequisites. NGU's untenable position that "the Commission's denial of Applicant's proposed rate increase specifically bars Applicant from increasing its rates and other charges" is contrary to Commission rulings and the clear intention of the General Assembly. Therefore, UUC is not attempting to "sidestep the Commission's denial of its application", but is exercising its statutory right to place these rates into effect.

4. NGU fails to assert that either the bond amount or the sureties proposed by UUC are insufficient. In its Petition, UUC requested the approval of a bond in an amount equal to the additional annual revenue which UUC would be entitled to earn if the Commission had not rejected the Settlement Agreement. This amount is reasonable inasmuch as it well below the rates requested in the Application and statutorily permitted to be charged by the Applicant under bond. UUC further submitted that the amount of the bond was sufficient in light of the newly enacted procedures of appealing directly to the Supreme Court pursuant to the provisions of 2006 S.C. Act No. 387. The Commission has previously held that the bond should adequately secure the increase in revenues proposed to be charged by the utility during the pendency of the appeal. This abridged process will reduce the duration of the appeal as well as any potential refund due the customers. Further, as evidenced by the bond form submitted, UUC proposes to secure the bond through an insurance company. The Commission has consistently approved these types of sureties including the Applicant's request for a bond in its last rate case. See Commission Order No. 2002-494, dated July 2, 2002, Docket No. 2000-210-W/S. Moreover, the Commission's regulations provide that "[s]ufficient surety may be any duly licensed bonding or insurance company authorized to do business in this State." 26 S.C. Code Ann. Regs. 103-512.3.2 and 103-712.3.2 (Supp. 2005).² NGU's Objection does not provide any support for its proposition

² See also, Commission Order No. 91-123, dated February 12, 1991, Docket No. 89-594-W/S.

that either the amount or the method of securing the bond is unreasonable or improper; rather, NGU immaterially argues that the issuance of a bond does not address the Commission's concerns which prevented it from approving the proposed increase.

WHEREFORE, having fully set forth its reply, Applicant requests that, in the event the Commission denies its Petition for Rehearing or Reconsideration, the Commission issue its order denying NGU's objection; approving the bond form included as Exhibit B to the Applicant's Petition to be conditioned upon the refund, by way of credits on existing customers' bills, if the rates put into effect are finally determined to be excessive; and granting UUC such other and further relief as is just and proper.



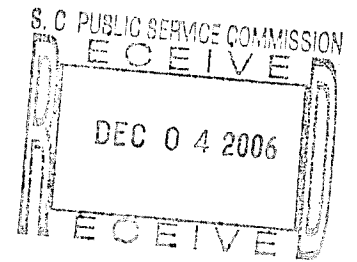
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Attorneys for Applicant

Columbia, South Carolina
This 1st day of December, 2006

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2006-107-WS



IN RE:)
)
Application of United Utility Companies,)
Inc. for adjustment of rates and charges)
and modifications to certain terms)
and conditions for the provision of)
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_____)

CERTIFICATE OF SERVICE

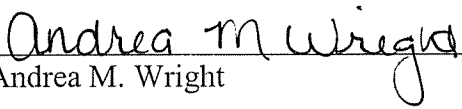
This is to certify that I have caused to be served this day one (1) copy of **United Utility Companies, Reply to North Greenville University's Objection to Applicant's Petition for Rehearing or Reconsideration and, alternatively, Request for Approval of Bond** by placing same in the care and custody of the United States Postal Service with first class postage affixed thereto and addressed as follows:

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Office of Regulatory Staff
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Post Office Box 87
Greenville, South Carolina 29602


Andrea M. Wright

Columbia, South Carolina
This 1st day of December, 2006.